



# Perspectives for Private Foundations

Winter 2003

## The Foundation Performance Dashboard

### *Vital Statistics for Social Impact*

by Fay Hanleybrown

Boards and foundation leadership rarely have a clear, consistent, and comprehensive picture of their foundation's performance. For example, a recent Center for Effective Philanthropy survey of the CEOs of the 225 largest US foundations found that 76% of foundation boards had "substantial involvement" in assessing investment performance, while only 20% had similar levels of involvement in assessing the foundation's social impact.<sup>1</sup>

Interestingly, this situation persists despite the fact that nearly 60% of foundation CEOs stated that they would like to have more board involvement in reviewing the foundation's philanthropic mission and effectiveness.<sup>2</sup>

Our experience suggests that this conundrum results from a fundamental uncertainty: Foundations are unsure how to bridge the chasm between the readily available and concise metrics for investment performance and the much more complex, expensive, and subjective data from internal operations and program evaluations.

#### **Inconsistent formats and uneven frequency**

Typically, the pressure of the grant cycle keeps many boards focused on new initiatives and on approving individual grant requests, leaving little time to review performance of existing grantees or the foundation as a whole.

Board members do see basic operating measures, in addition to investment performance, such as administrative expenses, program activities, and occasionally grant- or program-level evaluations. But this informa-

tion is received at different times and in different formats, making it difficult for board members to get a complete picture of how the foundation is doing, and how performance has changed over time.

While these measures are *important*, they are *insufficient* to provide the board with an overall view of how the foundation is doing.

Operational and financial performance metrics are valuable indicators, but only go so far. Administrative expenses and investment returns are only loosely tied to social impact—if at all—and only make sense in the context of an individual foundation's strategy. To take an extreme example, imagine a foundation with no staff that randomly funded grant requests. This foundation would have exceptionally low expense ratios, but would be unlikely to deliver much social value. Similarly, a high investment return only creates value if the proceeds are used effectively, and is not by itself an indicator of the social impact the foundation creates.

*How can a foundation develop a clear, concise, cost-effective, and integrated reporting of foundation performance?*

Evaluating the performance of specific grants is also helpful, but it rarely provides guidance on how the foundation's *overall* activities could be improved. Is the foundation as effective as its peers? Is its stated strategy being followed?

(Continued on page 2)

## FSG News

### **West Coast Office**

FSG has moved into its new West Coast offices:

Foundation Strategy Group, LLC  
50 California Street, Suite 3165  
San Francisco, CA 94111  
Phone: (415) 397-8500

For more information, please call Fay Hanleybrown at extension 151.

### **Clients**

FSG's latest work covers a wide range of issues for private, corporate and community foundation clients around the world:

- The Bertarelli Foundation, in Geneva, Switzerland retained us to research and assess strategic options within the foundation's focus area of infertility.
- For a mid-sized foundation in the Northeast we evaluated several capacity building grant programs.
- For a family foundation, FSG created a plan to engage board members of different generations to focus on advancing the state of knowledge and practice nationally in supportive and transformational housing for low income families.
- For SAFECO insurance company, headquartered in Seattle, Washington we conducted an audit of their social investment activities and identified opportunities for increasing both social and corporate benefit.
- For a major Fortune 100 company we analyzed all U.S. contributions

(Continued on page 3)

# The Foundation Performance Dashboard

Foundation Performance Dashboard Building Blocks				
Grantmaking	Programs	Operations	Investments	Social Impact
<b>Quarterly</b> -Discretionary grants -Board-approved grants -Requests received vs. funded -Giving vs. strategic and program targets	<b>Quarterly</b> -Key program developments  <b>Annual</b> -Communications metrics	<b>Quarterly</b> -Payout  <b>Annual</b> -Expense ratios -Grantee perception data -Average grant size -Communications metrics	<b>Quarterly</b> -Investment performance	<b>Annual</b> -Major initiative evaluation summaries  -Progress on key value creation dimensions: grantee selection, signaling other funders, improving grantee performance, and advancing the field

**Figure 1**

(Continued from page 1)

And is the strategy working? Moreover, grant evaluations are time-consuming and expensive—even the largest foundations are only able to evaluate a small percentage of their grants.

So, how can a foundation develop a clear, concise, cost-effective, and integrated reporting of foundation performance that enables the board to become more engaged in clarifying foundation strategy, defining goals, and assessing the foundation's impact?

## Creating a performance dashboard

One method that we have found helpful to our clients is to develop a foundation "performance dashboard."

The basic idea behind a performance dashboard is to present a few key performance measures to the board on a regular basis. They rely on information that serves as a proxy for social impact and thus empower the board and foundation leadership to engage in regular structured discussion of the foundation's progress toward its strategic goals.

Effective performance dashboards generally fulfill three key criteria.

- *Structure is tailored to reflect foundation-specific goals.* Dashboards are not "one size fits all," but instead need to be constructed to reflect a foundation's progress toward its particular objectives. For example, is the focus of the foundation to change behavior? Affect policy? Build capacity in grantees? In each case different metrics would be implied.
- *Metrics for all key performance areas are displayed in a concise format.* A multi-level system of foundation performance metrics is needed to provide a fully integrated picture of overall foundation performance. A dashboard may include financial, opera-

tional, programmatic, communications, grantee survey and value creation performance metrics. Although the dashboard contains a wide range of information, it should be brief, containing only the most critical information, so that board members can easily get a sense of foundation performance. One or two pages can often suffice, sometimes supported by greater detail in an appendix.

- *The data is easy and inexpensive to collect.* The dashboard should integrate and present existing information, rather than create new evaluation and reporting mechanisms. While the dashboard can include information from formal evaluations when available, the vast majority of the data should be available within the foundation's database, from existing records, or from inexpensive external sources. Is the mix of giving consistent with the foundation's strategic goals? What trends exist in grantees' perceptions of the foundation? Are the foundation's communications goals being achieved?

To create a performance dashboard, foundation management can begin by collecting existing performance data across the foundation, and then work with a cross-functional staff team to refine this list of metrics down to a concise, comprehensive set of reporting metrics that best serve the foundation's own goals and needs.

In our experience, it is often useful for foundations to have two versions of the dashboard – one a quarterly update, and the other an annual report. Some measures, like investment returns and some grants data, can be reported on a quarterly basis. Others are more meaningfully reported on an annual basis, such as expense and operating ratios, peer comparisons, communications measures, and grantee perception data. (See Figure 1)

(Continued on page 3)

<sup>1</sup> *Indicators of Effectiveness: Understanding and Improving Foundation Performance*, The Center for Effective Philanthropy, 2002.

<sup>2</sup> Ibid.

(Continued from page 1)

## Benchmarking

Just as foundations benchmark their investment returns, it can be helpful to have comparative benchmarks to assess operational and financial performance as well. The goal is not to compete with peer foundations, but rather to learn from them how to use resources more effectively. By having comparative information, foundations create the potential to deliver greater social value for the same cost, or the same social value at a lower cost.

In order for operational and expense comparisons to be meaningful, foundations should pick a peer group not just by asset size but by grant-making structure and approach. Questions to ask in selecting a peer group include:

- Are staff sizes similar?
- Is the grant-making approach and level of involvement with grantees similar?
- Is the number of fields funded similar?
- Are grants of comparable size?

The more closely matched the peer group is in approach, the more helpful the comparisons will be.

## Conclusion

A well-designed performance dashboard has several long term benefits. By creating a common set of metrics, a foundation can more effectively communicate with board members and engage them in improving overall foundation performance. By tracking progress toward foundation goals, consistent foundation-wide performance metrics can help a foundation and its staff to recognize its relative strengths and identify opportunities to further enhance value creation.

## Building a Performance Dashboard

A foundation can develop its own performance dashboard internally, but the process and result is often improved by including an outside consultant's experience and objectivity.

FSG has significant background in helping foundations identify performance metrics critical to the success of their strategies and translating those metrics into a concise performance dashboard. Give us a call and we would be pleased to discuss ways we could be of help to your foundation.

*For more information, please contact one of us:*

**North America:** Mark Kramer or John Kania at 617-357-4000, or on the West Coast, Fay Hanleybrown at 415-397-8500

**Europe:** Marc Pfitzer at 617-357-4000

and are working to design a new corporate giving strategy that more effectively ties their social investment to corporate strategy and contextual opportunities.

- The Pittsburgh Foundation and The Community Foundation For Greater New Haven both retained FSG to lead them through the organizational change process needed to implement the strategies we helped them develop during the past year.
- The Milwaukee Foundation and the San Francisco Foundation both began our community foundation cost & revenue analysis study.
- We helped a California foundation design a "performance dashboard" to help the Board and CEO track foundation performance concisely and consistently.

## A Growing Team

We are delighted that a new Consultant has joined our San Francisco team:

**Laura S. Loker**, has joined us after completing her MBA with a certificate in Public Management and an MA in International Policy at Stanford University. She has consulted with private and community foundations on strategy and program design, focused specifically on issues relating to the environment and international health. Prior to joining FSG, she worked as a senior consultant at Deloitte Consulting focused on large-scale organizational change initiatives.

**European Expansion.** We are pleased to announce plans to open a FSG office in Geneva, Switzerland in April, 2003. Marc Pfitzer, Vice-President for Europe, will return to Europe to continue building our overseas practice. Marc has worked from the Boston office of FSG for the past year handling a number of engagements for both U.S., and Swiss-based foundations and corporations. Fluent in three languages, Marc joined FSG after earning his graduate degree in business administration from INSEAD and seven years of consulting experience with the Boston Consulting Group in their Zurich office.

## Coming Up!

Our upcoming forum **The Competitive Advantage of Corporate Philanthropy: a forum for senior corporate social investment practitioners** features presentations by our founders, Professor Michael E. Porter and Mark R. Kramer. This Corporate Social Investment Forum is being co-sponsored by Foundation Strategy Group and The Center for Corporate Citizenship at Boston College. Scheduled for **May 14th in New York City**, the Forum will feature new research on corporate philanthropy, drawing from Porter & Kramer's December 2002 Harvard Business Review article.

### Registration is limited.

For information, please call Ms. Susan Lowe at 617-357-4000 x124 or [sue@foundationstrategy.com](mailto:sue@foundationstrategy.com)

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## About FSG

FSG is a professional consulting firm exclusively dedicated to helping community, corporate, private and family foundations increase their effectiveness.

We offer objective analysis and confidential counsel on strategy, organizational alignment, strategic communications, governance, leadership, foundation-wide assessment, and community foundation donor development.

We invest in innovative ideas and we partner with our clients to help them do good, better.

For more information call us or visit our web site.

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